

Message Text

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43

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 COME-00 TRSE-00 L-03

OPIC-03 XMB-02 AID-05 IGA-02 PA-01 PRS-01 USIA-06

CIAE-00 INR-07 NSAE-00 /049 W
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P R 302155Z JAN 76

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC PRIORITY 2314

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMSMBASSY PANAMA 2461

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS: EINV. EAGR, HO

SUBJECT: FAILURE OF GOH-STANDARD FRUIT COMPANY NEGOTIATIONS

REF: 75 TEGUCIGALPA 4604, TEGUCIGALPA 0265

1. BENJAMIN VILLANUEVA, PRESIDENT OF THE HONDURAN BANANA CORPORATION (BOHBANA), ANNOUNCED AT A PRESS CONFERENCE ON 29 JANUARY THAT COHBANA HAD BEEN FORCED TO BREAK OFF NEGOTIATIONS WITH THE STANDARD FRUIT COMPANY (SUBSIDIARY OF CASTLE AND COOK) REGARDING THE REHABILITATION OF AND SALE OF BANANAS FROM THE ISLETAS PROPERTIES. VILLANUEVA, READING FROM A PRESS RELEASE, STATED THAT JUST WHEN THE CONTRACTS BETWEEN STANDARD FRUIT AND COHBANA REGARDING THAT MATTER WERE "PRACTICALLY READY TO BE SIGNED," STANDARD FRUIT DEMANDED A DEFINITION OF GOH BANANA POLICY AS A PRECONDITION TO ITS SIGNING OF THE ISLETAS AGREEMENTS.

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2. VILLANUEVA SAID THAT THE GOH CONSIDERED SUCH PRESSURE TO BE TOTALLY UNACCEPTABLE. HE CLAIMED THAT THE POSITION TAKEN BY STANDARD FRUIT HAD THE EFFECT OF JEOPARDIZING THE POSITION OF 2,000 CAMPESINOS LIVING ON THE ISLETAS PROPERTIES SINCE THE COMPANY POSSESSES THE INDISPENSABLE MATERIALS NEEDED BY THE CAMPESINOS TO PRODUCE BANANAS. THEREFORE, IN ORDER TO PROTECT THE ISLETAS CAMPESINOS, THE GOH HAS INSTRUCTED THE NATIONAL AGRARIAN INSTITUTE TO EXPROPRIATE AS SOON AS POSSIBLE THE PROPERTY AND ASSETS THAT STANDARD FRUIT HAS IN ISLETAS AND TO PROHIBIT IMMEDIATELY THE MOVEMENT OF ANY EQUIPMENT OR ASSETS FROM THAT AREA. ADDITIONALLY, THE MINISTRY OF TREASURY HAS BEEN INSTRUCTED TO PROHIBIT THE EXPORTATION OF AGRICULTURAL EQUIPMENT, MATERIALS, AND OTHER ASSETS THAT STANDARD FRUIT HAS REMOVED FROM ISLETAS UNTIL COHBANA DECIDES WHAT EQUIPMENT IS ESSENTIAL TO SAFEGUARD THE INTERESTS OF THE CAMPESINOS OF ISLETAS. FURTHERMORE, THE SPECIAL NEGOTIATING COMMISSION HAS BEEN INSTRUCTED BY THE CHIEF OF STATE TO INSURE THAT THE STANDARD FRUIT RAILROAD PROVIDE SAFE AND ACCEPTABLE TRANSPORTATION OF THE ISLETA-PRODUCED FRUIT, AND THAT THE PROCESSING OF THE FRUIT BE DONE "WITHOUT ANY DISCRIMINATION."

3. THE LAST PARAGRAPH OF THE PRESS RELEASE STATES THAT THE GOH IS PREPARED TO ADOPT WHATEVER ADDITIONAL ACTIONS THAT MAY BE NECESSARY IN ORDER TO PROTECT THE NATIONAL INTEREST AND DIGNITY. NEVERTHELESS, THE GOH REPEATS THAT IT ALWAYS STANDS READY TO DEAL WITH PRIVATE FOREIGN BUSINESSES WHENEVER THOSE BUSINESSES ARE READY TO WORK ON THE BASIS OF EQUITY AND MUTUAL RESPECT.

4. BEGIN LIMITED OFFICIAL USE - COMMENT: EMBOFF SPOKE WITH VILLANUEVA AND STANDARD FRUIT REPRESENTATIVE, JORGE COELLO, ON 30 JANUARY REGARDING BREAK OFF OF NEGOTIATIONS. COELLO SAID THE CRUX OF THE MATTER IS STANDARD FRUIT'S DEMAND THAT THE GOH PROVIDE SOME ASSURANCE TO EFFECT THAT THE COST OF BANANA PRODUCTION IN HONDURAS BE KEPT AT OR NEAR PAR WITH PRODUCTION COSTS IN PANAMA AND COSTA RICA. STANDARD FRUIT POSITION RESULTS FROM 1) RECENT AGREEMENT REACHED BETWEEN UNITED BRANDS AND GOVERNMENT OF PANAMA WHICH, INTER ALIA, FREEZES THE EXPORT TAX ON BANANAS AT \$0.35 PER BOX FOR FIVE YEARS, AND 2) REPORTS THAT GOVERNMENT OF COSTA RICA WILL LIMITED OFFICIAL USE

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SOON FREEZE ITS BANANA EXPORT TAX AT \$0.35 PER BOX. COELLO SAID HIS COMPANY WANTS TO BE SURE THAT HONDURAN-PRODUCED BANANAS REMAIN COMPETITIVE IN THE FUTURE. VILLANUEVA CLAIMED THAT THE UNEXPECTED DEMAND FOR DEFINITION OF GOH BANANA POLICY, SPECIFICALLY THE BANANA EXPORT TAX, AS PRECONDITION FOR SIGNING OF ISLETAS AGREEMENT WAS BREACH OF FAITH ON COMPANY'S PART. COELLO BELIEVES THAT VILLANUEVA HAS OVERREACTED TO COMPANY'S PROPOSAL BUT IS OPTIMISTIC THAT AGREEMENT ON ISLETAS AS WELL AS

EXPORT TAX CAN BE WORKED OUT EVENTUALLY. VILLANUEVA NOT SO
OPTIMISTIC BUT STILL WILLING TO TALK TO COMPANY REPRESENTA-
TIVES. END LIMITED OFFICIAL USE.

5. POST POUCHING FIVE COPIES OF COHBANA PRESS RELEASE.
SANCHEZ

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Message Attributes

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